

2011 Summary Report to Members

for the fiscal year ended June 30, 2011

Strength Stability Security



PUBLIC SCHOOL & EDUCATION EMPLOYEE
RETIREMENT SYSTEMS OF MISSOURI

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INTRODUCTION

Strength. Stability. Security.

Simple yet powerful words that describe our philosophy, values, goals and proudly, our accomplishments. Since inception, the Public School Retirement System of Missouri (PSRS) and the Public Education Employee Retirement System of Missouri (PEERS) have strived to apply the principles of leadership, innovation and outstanding member service in order to deliver **strong**, **stable** and **secure** retirement benefits to generations of Missouri's public school teachers and education employees.

A SNAPSHOT OF PSRS/PEERS MEMBERS

The **strength** of our membership is a testament to the character of those who have spent their careers working in Missouri's public education system. The strength of our funding status, investment program and member services is a result of the hard work and commitment of the PSRS/PEERS Board of Trustees, management and staff. We are dedicated to maintaining our financial strength and providing the highest level of service and retirement security to our members for years to come.

PSRS Active Member Profile					
	2011	2010	2009	2008	2007
Average Age	42.3	42.3	42.2	42.2	42.3
Average Years of Credit	11.5	11.3	11.1	11.1	11.1
Average Annual Salary	\$55,837	\$56,701	\$55,957	\$53,667	\$51,616

PEERS Active Member Profile					
	2011	2010	2009	2008	2007
Average Age	47.9	47.5	47.1	46.8	46.6
Average Years of Credit	8.3	8.0	7.7	7.3	7.2
Average Annual Salary	\$28,984	\$28,467	\$27,667	\$27,082	\$25,876

PSRS Total Membership					
	2011	2010	2009	2008	2007
Active	77,708	79,256	79,335	78,436	77,121
Inactive	11,580	11,159	11,570	11,580	11,607
Retired	43,779	41,464	39,897	38,045	36,257
Disabled	763	721	696	691	683
Survivors	3,523	3,282	3,153	3,002	2,888
Total Membership	137,353	135,882	134,651	131,754	128,556

PEERS Total Membership					
	2011	2010	2009	2008	2007
Active	48,800	50,363	50,978	50,865	49,281
Inactive	15,402	15,355	16,538	16,623	17,414
Retired	19,444	18,274	17,461	16,696	16,009
Disabled	620	575	540	514	489
Survivors	1,264	1,222	1,150	1,078	1,041
Total Membership	85,530	85,789	86,667	85,776	84,234

RETIREMENT TRENDS

The total number of PSRS/PEERS retirees and amount of benefits paid each year continue to grow. In fiscal year 2011 (July 1, 2010 to June 30, 2011) we helped 4,778 individuals begin their retirement by providing them with PSRS/PEERS benefits.

PSRS Members Retiring By Year

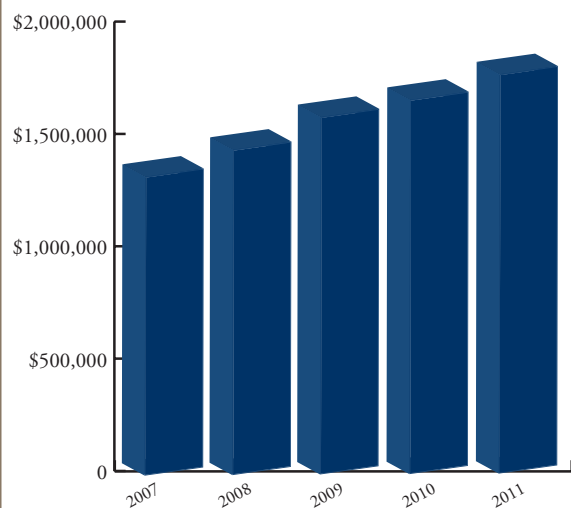
	2011	2010	2009	2008	2007
Number of Retirements	3,122	2,379	2,629	2,590	2,376
Average Age	58.6	58.6	58.0	57.9	57.4
Average Years of Credit	23.8	23.3	25.1	24.5	25.4
Average Single Life Monthly Benefit	\$3,342	\$3,197	\$3,424	\$3,214	\$3,259

PEERS Members Retiring By Year

	2011	2010	2009	2008	2007
Number of Retirements	1,656	1,400	1,325	1,245	1,220
Average Age	62.9	62.7	62.9	62.5	62.4
Average Years of Credit	16.6	15.2	16.5	16.5	16.6
Average Single Life Monthly Benefit	\$752	\$630	\$694	\$667	\$638

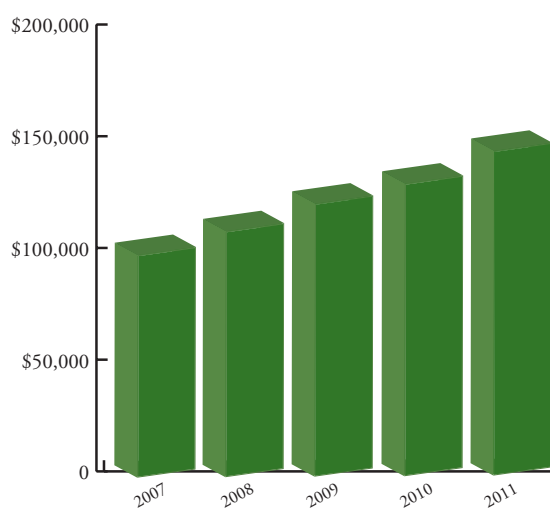
Total PSRS Benefits* Paid Over Time

(Dollar amounts in thousands)



Total PEERS Benefits* Paid Over Time

(Dollar amounts in thousands)



*Annual benefits paid to service retirees, disability retirees, and survivors. Includes PLSO Payments.

ABOUT OUR RETIREES

We take great pride in the long-term **stability** of the Systems and the resulting security of the guaranteed lifetime retirement benefits we provide for our members.

Most PSRS/PEERS benefit recipients are service retirees. Lifetime service retirement benefits are payable to members who have met age and credit requirements. Disability benefits are provided for members who are unable to earn a livelihood due to permanent disability and who have met eligibility criteria. The Systems also provide death benefits to qualified beneficiaries of deceased members.

PSRS 2010-2011 School Year Retirees

Years of Credit at Retirement	Number of Retirees	Average Years of Credit	Average Monthly Single Life Benefit*
5 - 9.9	267	6.8	\$ 661
10 - 14.9	322	12.2	\$ 1,262
15 - 19.9	289	17.2	\$ 1,969
20 - 24.9	540	22.5	\$ 3,010
25 - 30.9	733	27.1	\$ 3,792
30 - 34.9	832	31.7	\$ 4,815
35 - 39.9	126	36.6	\$ 6,231
40+	13	41.3	\$ 6,595
Overall Average		23.8	\$ 3,342

PEERS 2010-2011 School Year Retirees

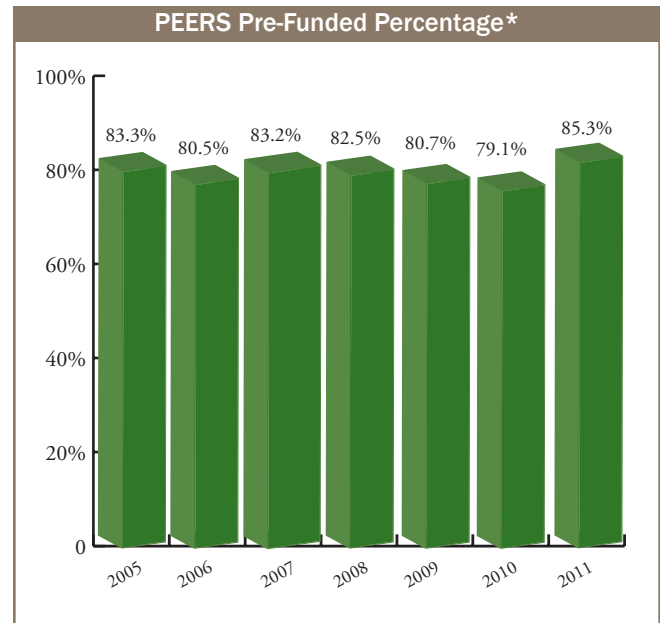
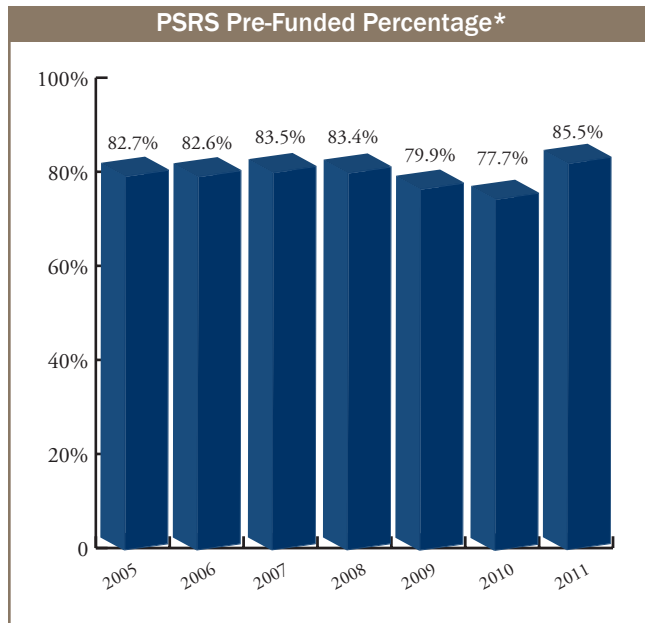
Years of Credit at Retirement	Number of Retirees	Average Years of Credit	Average Monthly Single Life Benefit*
5 - 9.9	487	7.2	\$ 221
10 - 14.9	345	12.1	\$ 410
15 - 19.9	231	17.1	\$ 707
20 - 24.9	244	22.3	\$ 1,052
25 - 30.9	185	26.9	\$ 1,389
30+	164	33.4	\$ 1,947
Overall Average		16.6	\$ 752

**The Single Life Plan pays the largest lifetime monthly retiree benefit. Actual amounts paid are lower due to retirement plan chosen by retiree.*

The average 2010-2011 Single Life monthly benefit for new PSRS retirees is \$3,342 and for PEERS retirees is \$752. How much will your benefit be? Use our online Benefit Estimate Calculator at www.psrs-peers.org to estimate your own monthly retirement benefit amount.

HOW PSRS/PEERS IS FUNDED

How do we determine how well funded the Systems are? By comparing the value of assets to the amount of benefit promises made to members. This comparison shows the pre-funded status of the Systems, or in other words, the plan's ability to pay projected benefits with today's dollars. As of June 30, 2011, PSRS was 85.5% pre-funded, and PEERS was 85.3% pre-funded. The Systems' pre-funded levels are an indication of our **strength** as one of the leading retirement systems in the United States.



*Actuarial value of assets as a percentage of actuarial accrued liabilities

Funding Sources

The investment portfolios of PSRS and PEERS represent all contributions to the plans, from members and their employers, as well as all net earnings on these assets. These funds are held in support of both current and future liabilities. In total, approximately 60% of every dollar used to pay retirees is generated from investment earnings.

15-Year Average 1996-2011



Note: The 21¢ includes member contributions and credit purchases.

THE IMPORTANCE OF DIVERSIFICATION

The Systems' portfolio is prudently invested across a broad array of assets employing a long-term time horizon that reflects the long-term nature of the PSRS/PEERS pension obligations.

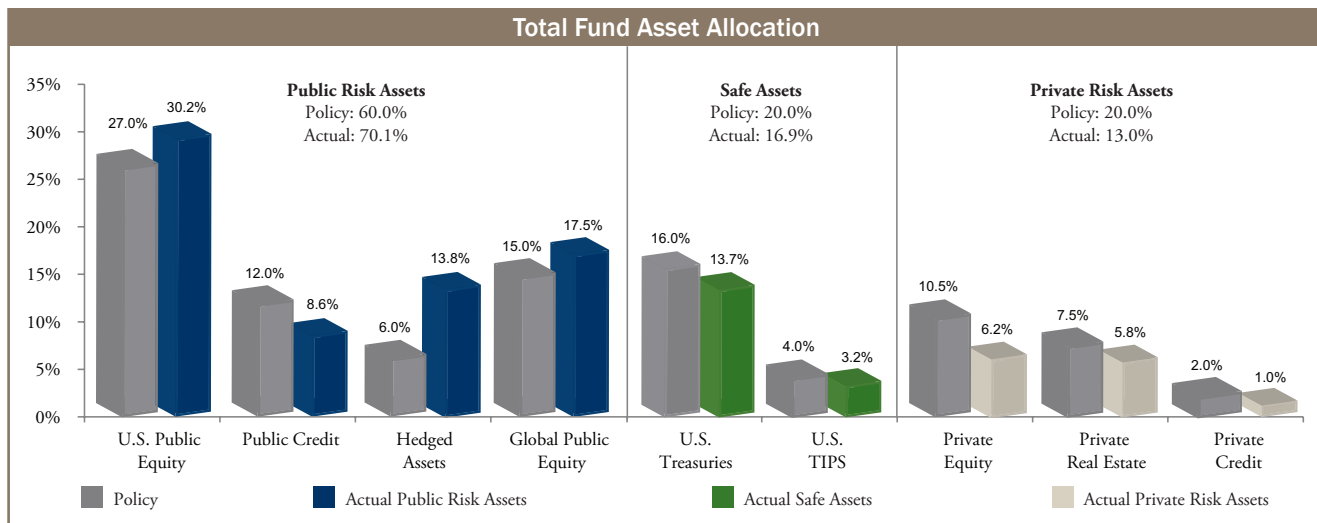
The asset allocation decision is generally regarded as the most important decision in the investment management process, since it is crucial to achieving long-term objectives established by the Board of Trustees. Within that asset allocation, it has always been important to not only consider the expected investment return, but also to understand the risks. The importance of risk consideration has never been as significant as in the current global market environment.

PSRS/PEERS employs an effective and intuitive risk-based approach to setting and reporting the asset allocation. The risk-based asset allocation was developed to clearly define the prudent risks taken by the Systems within their investment portfolios. The Systems consider a variety of risks including but not limited to liquidity risk, volatility, event risk (the possibility that an investment will move much more than expected) and the ability to meet the Systems' assumed rate of return when structuring the portfolio.

The Systems' asset allocation includes Public Risk Assets, Safe Assets and Private Risk Assets. Within each risk allocation, the Systems' investment portfolio includes strategic, long-term commitments to specific asset programs. Public Risk Assets include U.S. Public Equity, Global Public Equity, Public Credit and Hedged Assets. Safe Assets include U.S. Treasuries and U.S. TIPS. Private Risk Assets include Private Real Estate, Private Equity and Private Credit Assets.

The Systems' internal investment staff and external consultants continuously monitor the asset allocation and risk and return characteristics of the portfolio. The Systems' long-term asset allocation is reviewed regularly in conjunction with plan liabilities.

The Systems' asset allocation as of June 30, 2011, was as follows:

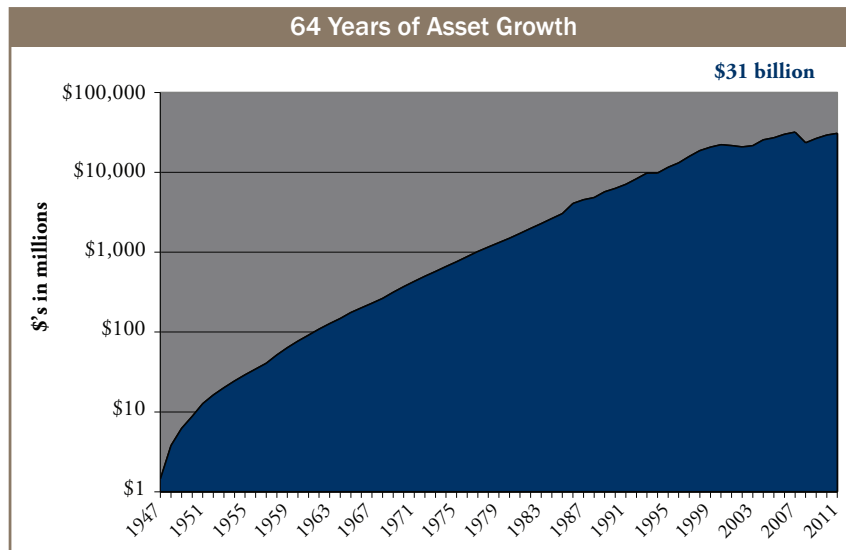


INVESTMENT PERFORMANCE

The objective of the internal investment staff is to produce consistent and **stable** investment returns over long periods of time that exceed the actuarial assumed rate of return of 8.0%. We have been successful in achieving that goal over the last 20 years because PSRS/PEERS has an experienced investment staff and a prudent and dynamic investment policy and process.

PSRS/PEERS total assets were \$31 billion on June 30, 2011, making the combined entity larger than all other public retirement plans in Missouri combined, and the 42nd largest defined benefit plan in the United States. There has been consistent and long-term growth in assets since the inception of PSRS in 1946 and PEERS in 1965.

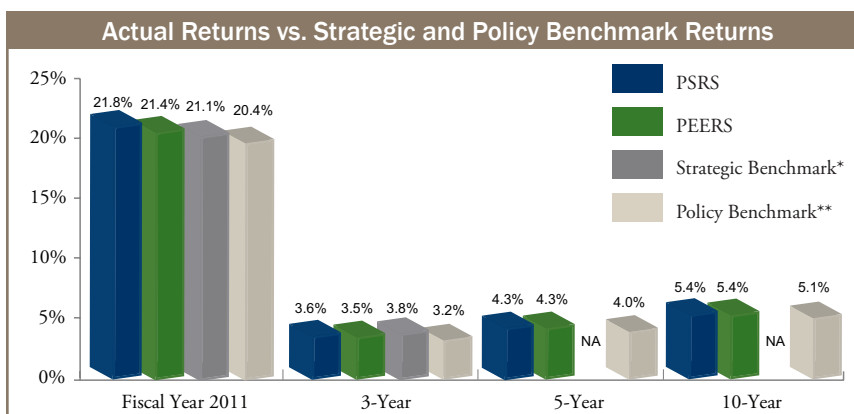
Growth in Assets



Total Portfolio Returns

The Systems achieved exceptional investment returns in fiscal year 2011 due to the **strength** of a diversified asset allocation across global financial markets. PSRS and PEERS earned returns of 21.8% and 21.4%, respectively – the strongest fiscal year return for both Systems in over 20 years. The Systems' assets increased through investment earnings by approximately \$5 billion over the previous year.

The total PSRS and PEERS returns exceeded the Policy Benchmark by 1.17% and 0.73% (net of all fees and expenses), respectively, for fiscal year 2011. This resulted in an additional \$355 million into the Systems that was not required to be funded by employee or school district contributions. The PSRS and PEERS total fund return has exceeded the Policy Benchmark in five of the last six fiscal years, an indication that internal staff and active investment management have added value to the Systems.



**As of June 30, 2011: 43.1% Russell 3000 Index, 18.9% MSCI All Country World ex-U.S. Free Index, 15.5% Barclays Capital Credit Intermediate Index, 12.8% Barclays Capital Treasury Blend, 5.6% NCREIF Property Index, 3.1% Barclays Capital U.S. TIPS 1-10 Year Index, and 1.0% Bank of America Merrill Lynch High Yield Master II Index. Strategic Benchmark data is not available for periods dating back five years or more.*

***As of June 30, 2011: 40.5% Russell 3000 Index, 16% Barclays Capital Treasury Blend, 15% MSCI All Country World ex-U.S. Free Index, 15% Barclays Capital Credit Intermediate Index, 7.5% NCREIF Property Index, 4% Barclays Capital U.S. TIPS 1-10 Year Index, and 2% Bank of America Merrill Lynch High Yield Master II Index.*

AWARDS AND RECOGNITION

Honored as One of the Nation's Top Institutional Investors

The investment staff at PSRS/PEERS has been recognized as one of the top institutional investment groups in the nation over the last two years. Specifically, the PSRS/PEERS investment team has been featured in five national publications and received two prestigious national public pension awards.



- 2011 Defined Benefit Plan Sponsor of the Year by *PLANSponsor* magazine,
- Large Plan of the Year 2010 by *Institutional Investor's* Money Management Letter,
- Best-Performing Large Public Plan Hedge Fund Portfolio in Fiscal Year 2011 by *Pensions and Investments*,
- Hedge Fund Portfolio featured in September 2011 issue of *Absolute Return* magazine, and
- 2011 Hedge Fund Large Public Plan of the Year Nominee by *Institutional Investor*.

PSRS AND PEERS TOP 10 STOCK HOLDINGS AND THEIR MARKET VALUES

PSRS/PEERS' has constructed a well-diversified asset mix for the Systems. Because of that diversification, even our largest holding of any one stock represents only a small percentage of the total portfolio.

PSRS	
Top 10 Largest Holdings* June 30, 2011	Market Value
JP Morgan Chase and Co.	\$ 78,333,532
Chevron Corp.	64,523,256
Qualcomm, Inc.	64,502,195
Amazon.com Inc.	62,209,130
Apple, Inc.	61,216,809
Google, Inc.	56,885,210
Priceline.com Inc.	53,819,201
Wells Fargo and Co.	52,409,177
Cognizant Tech Solutions	51,932,567
AT&T, Inc.	48,151,561
TOTAL	\$ 593,982,638

PEERS	
Top 10 Largest Holdings* June 30, 2011	Market Value
JP Morgan Chase and Co.	\$ 8,045,078
Qualcomm, Inc.	6,824,909
Apple, Inc.	6,425,395
Amazon.com Inc.	6,388,063
Google, Inc.	6,048,203
Chevron Corp.	5,886,356
Priceline.com Inc.	5,570,310
Cognizant Tech Solutions	5,174,137
Wells Fargo and Co.	4,870,122
AT&T, Inc.	4,512,235
TOTAL	\$ 59,744,808

*Additional investment portfolio information is included in the 2011 Comprehensive Annual Financial Report.

FINANCIAL STATEMENTS

The Statements of Plan Net Assets present information on the assets and liabilities of the Systems, with the difference between the two reported as net assets. The net assets of the Systems reflect the resources available to pay benefits to members when due. Over time, increases and decreases in net assets measure whether the Systems' financial position is improving or deteriorating.

Statements of Plan Net Assets				
<i>(As of June 30, 2011 with comparative totals for June 30, 2010)</i>				
	PSRS	PEERS	Combined Totals	
			June 30, 2011	June 30, 2010
ASSETS				
Cash	\$ 71,609,074	\$ 8,654,593	\$ 80,263,667	\$ 79,326,164
Receivables	2,151,259,212	232,744,852	2,384,004,064	2,710,368,719
Investments, at fair value	29,863,543,283	3,084,593,037	32,948,136,320	27,258,675,964
Invested securities lending collateral	886,651,960	106,865,034	993,516,994	1,566,179,925
Prepaid expenses	731,630	41,078	772,708	1,799,169
Capital assets, net of accumulated depreciation	14,765,165	-	14,765,165	11,675,147
TOTAL ASSETS	32,988,560,324	3,432,898,594	36,421,458,918	31,628,025,088
LIABILITIES	4,888,378,826	514,134,978	5,402,513,804	5,467,858,988
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 28,100,181,498	\$ 2,918,763,616	\$ 31,018,945,114	\$ 26,160,166,100

The Statements of Changes in Plan Net Assets show the incoming revenue (additions) and outgoing expenses (deductions) of the Systems throughout the fiscal year.

Statements of Changes in Plan Net Assets				
<i>(For the year ended June 30, 2011 with comparative totals for the year ended June 30, 2010)</i>				
	PSRS	PEERS	Combined Totals Year Ended	
			June 30, 2011	June 30, 2010
ADDITIONS				
Employer contributions	\$ 594,732,137	\$ 90,816,155	\$ 685,548,292	\$ 685,804,847
Member contributions	638,356,963	95,791,885	734,148,848	732,556,939
Net investment income	5,018,518,464	502,933,656	5,521,452,120	2,984,167,382
Other income	930,065	-	930,065	867,308
TOTAL ADDITIONS	6,252,537,629	689,541,696	6,942,079,325	4,403,396,476
DEDUCTIONS				
Monthly benefits	1,845,619,830	150,769,061	1,996,388,891	1,865,500,492
Refunds of contributions	53,638,650	18,822,979	72,461,629	64,870,540
Administrative expenses	8,835,641	5,607,971	14,443,612	15,306,368
Other expenses	3,480	2,699	6,179	404,010
TOTAL DEDUCTIONS	1,908,097,601	175,202,710	2,083,300,311	1,946,081,410
NET INCREASE	4,344,440,028	514,388,986	4,858,779,014	2,457,315,066
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
Beginning of year	23,755,741,470	2,404,424,630	26,160,166,100	23,702,851,034
End of year	\$ 28,100,181,498	\$ 2,918,763,616	\$ 31,018,945,114	\$ 26,160,166,100

SUMMARY/CONCLUSION

Strength. Stability. Security. Our Commitment to You.

The PSRS/PEERS Board of Trustees, management team and staff are committed to serving the Systems' members. Our management team collectively has more than 150 years of public pension fund experience, and our Board of Trustees consists of a dedicated group of educators, retired educators, school administrators, and experts in the fields of finance and law.

As part of our ongoing dedication to excellence, in August 2011, the PSRS/PEERS Board of Trustees adopted a Funding Stabilization Policy to help ensure the continued success of the Retirement Systems. The policy has had a significant positive impact on the funding status of the Systems, and relies on a shared commitment by both active and retired members.

We measure success by providing **strong, stable** and **secure** retirement benefits to members through a quality plan design, professional management, superior investment performance and outstanding commitment to member service.

2011 Summary Report to Members
for the fiscal year ended June 30, 2011

PSRS/PEERS is pleased to present the **2011 Summary Report** to Members for the fiscal year ended June 30, 2011. This report highlights information from our most recent **Comprehensive Annual Financial Report**. Printed copies of the comprehensive report are available upon request, or may be viewed online at www.psr-peers.org.

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RETIREMENT SYSTEMS OF MISSOURI